



DEPARTMENT OF STATE INSTRUCTION

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725

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NO.: A-174 January 10, 1955

SUBJECT: Legislation Pertaining to the Export of Egyptian Currency

TO: The American Embassy, Cairo

Reference is made to the Department's Instruction A-116 of November 5, 1954. The Department has had further requests for the data asked for in its referenced Instruction on the above subject.

If the present shortage of staff and the pressure of other reporting will prevent the Embassy from replying in the near future, the Department would appreciate an estimate of when the data can be made available so that it may inform the interested parties. As the proceedings now stand they cannot go forward until the information is at hand.

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DRAFTED BY: NEA:NE:FBoardman:mjf 1/6/55

APPROVED BY: NE - Francis Boardman

CLEARANCES: NE - Mr. F

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FOREIGN SERVICE DESPATCH

FROM : AmEmbassy, Cairo
TO : THE DEPARTMENT OF STATE, WASHINGTON.

1736
DESP. NO.

March 9, 1955
DATE

REF : CERP 6/24/54, B-1; Embdesp. 1724 of March 8, 1955.

17 For Dept. Use Only	ACTION	DEPT.
	REC'D	IN F OTHER
	NEA 4	Oct 2-2 Oct 6 Rep-2 E-4 Oct 6
	3/14	Cia-5 Com-6 TR-3 AMB-3 PRB-2 FOA-10

SUBJECT: EGYPTIAN NOTE ISSUE BY DENOMINATIONS.

According to the National Bank of Egypt's Research Department, the outstanding note issue at the end of each of the last three years, by number of banknotes of each denomination, was:

	1954	1953	1952*
P.T. 25	16,776,000	13,544,000	13,200,000
P.T. 50	9,784,000	9,218,000	8,800,000
L.E. 1	33,443,000	32,807,000	33,700,000
L.E. 5	8,440,000	8,538,000	9,160,000
L.E. 10	4,565,600	4,264,300	4,750,000
L.E. 50	456,140	427,740	470,000
L.E. 100	418,080	464,780	506,000
Total Note Issue ('000 L.E.)	195,000	194,000	208,800**

L.E. 100 and L.E. 50 notes represented 35.9, 35.0 and 33.1 percent of the outstanding note issue at the end of 1952, 1953 and 1954, respectively.

* Approximate figures.

** Exact total note issue was L.E. 209 million.

Perry Ellis
Perry Ellis
First Secretary of Embassy

Approved by:

Robert M. Carr
Robert M. Carr
Counselor for Economic Affairs

cc: Beirut (Treasury).

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REPORTER

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MAR 11 1955

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FOREIGN SERVICE DESPATCH

FROM : AmEmbassy, Cairo

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DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

April 25, 1955
DATE

REF : CERP 6/24/54, D-13.

For Dept. Use Only	ACTION REC'D H/30	DEPT. OTHER Com-6 TR-3 FRB-2 FOA-10 XMB-SCA-5	IN F O	pm/r-2 ol-6 A/rp-2 E-5 SCS-1 OB-1
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SUBJECT: MINISTER OF FINANCE DENIES DEVALUATION RUMOR. OSD-4 Army

There is enclosed a copy of the news story in the Egyptian Gazette of April 24 on a press conference the previous day of the Minister of Finance who categorically denied a rumor that devaluation of the Egyptian pound is impending.

Comment

The devaluation rumor crops up from time to time and is always denied. Currently, the Embassy has no reason to believe that the Egyptian Government is contemplating a devaluation. Through import entitlement accounts and the Swiss, Belgian and Dutch "B" accounts, at least 40-50 percent of Egypt's exports are paid for in a depreciated currency. On its imports, Egypt can and does grant various types of exchange at the official rate for various essentials such as machinery, petroleum products and pharmaceuticals, whereas luxury and semi-luxury imports must generally be paid for in depreciated currency. Egypt has been gaining dollars and "other" currencies in modest amounts since the beginning of 1954. It lost some sterling last year but started to gain a bit in January, 1955.

Perry Ellis
Perry Ellis

First Secretary of Embassy

Approved by:

Robert M. Carr

Robert M. Carr
Counselor for Economic Affairs

Enclosure: As stated.

cc: Beirut (Treasury).

APR 27 1955

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FINANCE MINISTER STRONGLY DENIES DEVALUATION RUMOURS

Government will safeguard value of savings

Rumours about the devaluation of the Egyptian pound in foreign markets were categorically denied at a Press Conference yesterday by Dr. Abdul Moneim el KAISSUNY, Minister of Finance and Economy, who described such rumours as malicious and intended to effect the economic stability of the country.

Dr. Kaissuny explained that the Government's credits with the National Bank of Egypt were on the increase, and that the Government's balances of gold and foreign currency still maintained their high standard, with no appreciable change during the last month.

The Minister explained that the Government cannot possibly devalue Egyptian currency for important reasons, including the programme for economic development which entails expansion in the import of machinery and equipment from abroad.

Continuing, Dr. Kaissuny said: "We have actually begun to import part of the equipment needed, as is shown by the foreign trade figures and the number of import permits.

"To carry out this programme, cooperation between the Government and individuals between private and public capital is essential.

"Devaluation of the Egyptian pound would mean raising the cost of the programme, in which case the Government would have to increase its credits for such projects by resorting to internal loans, imposing more taxes, or neglecting some vital projects.

"It is not the intention of the Government to resort to any of these measures.

"For individuals, devaluation would mean raising the cost of construction and would handicap private enterprise which the Government wants to encourage by all means".

REAL VALUE

Dr. Kaissuny also explained that devaluation would lead to a rise in the price of imported goods, and consequently of local prices, and this would be detrimental to the interests of the middle and poor classes, at a time when the Government is seeking to raise their standard of living.

The Minister pointed out that devaluation, and the rise in prices which it entails, decreases the real value of private savings, and weakens the purchasing powers of the insurance sums or pensions paid to individuals.

"People make sacrifices to save and it is the duty of the Government to protect the value of their savings," the Minister went on.

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Dr. Kaissuny said that some governments may resort to devaluation to encourage their exports and limit their imports, when the real value of their currency in international markets is less than the official rate of exchange.

NOT NECESSARY

He pointed out that such a condition did not exist in Egypt, since the Import Entitlements Account, and the free rate of exchange provided for in some of the Government's agreements, such as those with Switzerland, Belgium, and Holland, give elasticity to the official rate of exchange, and, therefore, there was no need to think of devaluation.

He added: "On the other hand, the prices of Egyptian cotton are in accordance with world prices, and if there has been some delay, this is due in particular to the difficulties which confront some of the spinning and weaving areas in the Western countries," the Minister said.

"It is also due to the fact that some of those countries get American cotton, either as a subsidy or an easy conditions of payment. Our exports to other countries are gradually increasing. There will be more exports during the remaining part of the season thanks to the barter agreements which the Government concluded with some countries, and to the credit facilities which have been arranged lately.

PUNISHMENT

"Our exports of yarn, rice, and onions have considerably increased this year, despite the difficulties we faced at the beginning of the season in our efforts to regain the markets which we lost in the past".

Stressing that devaluation of the Egyptian pound was harmful to economic stability which the Government was seeking to strengthen, Dr. Kaissuny concluded his press conference by stating that the Government would not hesitate to inflict punishment on those responsible for spreading such rumours.

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FROM : Cairo

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP - June 24, 1954, D-1

August 3, 1955

DATE

2 For Dept. Use Only	ACTION NEA-4	DEPT. IN F O	R/M/R-2 H/REP-2 OLI-6 E- TR-3 FRB-2 XMB-3 Com 6
	REC'D 8-8	OTHER	

SUBJECT: MINTING AND SALE OF GOLD COINS

SUMMARY

16,000 L.E. 1 and 1,000 L.E. 5 gold coins minted and sold to commemorate third anniversary Egyptian Revolution. L.E. 1 coins sold at L.E. 5 each and the L.E. 5 coins at L.E. 50 each.

Official Gazette No. 57 of July 21, 1955, published approval by the Council of Ministers of the minting and sale of 16,000 L.E. 1 and 1,000 L.E. 5 gold coins to commemorate the third anniversary of the Egyptian Revolution (July 23, 1955). The Ministers of Commerce and Industry, and of Finance and Economy were both charged with the responsibility of implementing this order. The coins were sold to the public on July 24, 1955, at the Ministry of Finance and Economy. Details are as follows:

1. Commemorative L.E. 1 Gold Coins:

- a) Weight: 8.5 grams - tolerance in weight plus or minus 2 per mille or 0.017 gram.
- b) Composition: 0.875 gold
0.075 silver
0.050 copper
1.000

Tolerance plus or minus 2 per mille.

- c) Inscription: Ramses' chariot on one face; the Pharaonic vulture and the Moslem and Christian years on the other.
- d) Selling Price: L.E. 5 each coin.

AUG 4 - 1955

J.N. Cortada: al
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2. Commemorative L.E. 5 Gold Coins:

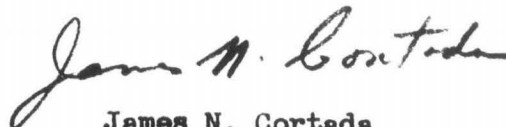
a) Weight: 42.5 grams - tolerance in weight plus or minus
1 per mille or 0.0425 gram.

b) Composition: 0.875 gold
0.075 silver
0.050 copper
1.000

Tolerance plus or minus 1 per mille.

c) Inscription: Ramses' chariot on one face; the Pharaonic
vulture and the Moslem and Christian years on the other.

d) Selling Price: L.E. 50 each coin.


James N. Cortada
Second Secretary of Embassy

Copy to: U.S. Treasury Representative, Beirut

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FROM : **AMERICAN EMBASSY, CAIRO**

797
DESP. NO.

TO : **THE DEPARTMENT OF STATE, WASHINGTON.**

January 26, 1956
DATE

REF : **CEEP 6/24/54, B-1, D-13**

15 For Dept. Use Only	ACTION	DEPT.
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	2/2	RM/R-2 A/REP-2 * OLI-6 * E-5 * ICA-10 CIA-5 * COM-8 * TR-3 * FRB-2 * XMB-3

SUBJECT: **EGYPT - MONETARY SITUATION**

GENERAL A review of the monetary situation during the first eleven months of 1955, in comparison with the same period of 1954, revealed a considerable increase in total money supply. This development reflected a rise in Government and private deposits, and a decrease in net currency circulation outside banks. Factors in the counterpart of money supply such as loans and discounts (including treasury bill issues and private operations) and bank portfolio investments also were greater in 1955 than in 1954. Foreign assets, however, in the latter part of the first eleven months of 1955 were below the corresponding period of 1954. In fact, by November 30, 1955 foreign assets were at the lowest point in years.

The pattern of general economic events throughout most of 1955 was different from that of the previous year. Money movements in the period covered, reflected only in part, however, the changing economic picture. While reliable data are available regarding the general components of money supply, other information, such as velocity of currency circulation outside banks and the extent of hoarding, is not obtainable. Missing also for the months under review are figures showing retail and wholesale transactions, inventory holdings, and industrial output, all of which, if available, would be useful in explaining the significance of monetary events. Nevertheless, for purposes of this report, certain assumptions have been made concerning the probable general behavior of the missing statistics based on comments made by business and banking leaders.

It is assumed that: (a) velocity of money outside banks in 1955 was below that of the previous year's level, (b) hoarding by some groups was greater in 1955 than in 1954, (c) wholesale and retail inventories rose in 1955 in comparison with those of the previous year, (d) retail sales in 1955 did not exceed 1954 averages, (e) industrial output increased in 1955 over that of 1954, particularly in the construction fields.

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Thrown in high relief were two important economic developments in 1955 which influenced money movements, namely: (a) intensified efforts by the Government⁴⁵ in implementing national programs of economic and social development; (b) serious disequilibrium in foreign trade stemming from importations which were greatly in excess of exports.

The Government's efforts in implementing national development programs will result in estimated expenditures of about LE 27,000,000 on National Production Council projects and some LE 6,000,000 on Public Services Council plans during fiscal year 1955-56, in comparison with LE 18,000,000 and LE 3,641,000, respectively in the previous fiscal period. Funds for the Production Council projects were obtained mostly by borrowing through the sale of Government securities and treasury bills and were used to cover local expenditures and imports of capital goods. Money for the Public Service Council (housing, hospital and school projects) was derived from unexpended sums earmarked in 1954 for the Council, derived from the confiscated Mohamed Ali family properties plus transfers from the regular Government budget.

The serious adverse trade balance in 1955 was caused in part by a decline in the demand for Egyptian cotton among traditional Western European buyers. Depressed conditions in the world cotton textile industry according to the local trade, and American cotton surplus policy, accounted for the reduced markets in Western Europe. In addition, a liberal import system was established during the first half of 1955 based on the sale to importers at a premium of sterling, dollars and deutschmarks obtained from cotton exports. As a result, imports of consumer goods plus Government importations of production goods greatly exceeded exports, giving rise to a serious adverse balance of trade. By the end of June 1955 the balance of payments deficit amounted to LE 7.5 million compared to a surplus in June 1954 of LE 20 million. The net deficit for 1955 may exceed at least LE 15 million.

During the spring and summer of 1955, the Egyptian Government turned to Soviet Bloc countries as an outlet mostly for cotton which normally would have gone to Western buyers. Trade relations with a number of satellites were cemented by long term commercial and payments agreements and large quantities of cotton have moved to the Communist countries. However, with the exception of one transaction with Communist China involving between LE 9.00 and LE 10.0, no foreign exchange payments have been involved in these deals as the transactions have been recorded in the central banks of the countries concerned. While Egypt has accumulated substantial credit balances in regard to the Soviet bloc countries, its debtor position with Western European countries, such as France, West Germany, and Italy, has worsened considerably. This extension, due to cotton difficulties, of Egypt's bilateralistic trading program had

the effect/...

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the effect of building up non-transferable credits. The eventual result may be a severe strain on Egypt's foreign exchange holdings if it has to settle the Western debts in cash.

An exact comparison of actual money supply totals for the first eleven months of 1955 and 1954 cannot be made with data available. The credits shown in accounts carried in the National Bank, arising from the principal Egyptian international payments agreements, were included in total money supply for both years, but they were obtainable separately only for 1955. These credits represent foreign obligations which eventually must be paid in cash or in kind.

There are shown following money supply totals for the period January-November 1955 compared to the same eleven months in 1954, by month:

TOTAL MONEY SUPPLY/...

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TOTAL MONEY SUPPLY
(In LE Million)

<u>END</u>	<u>1954</u>	<u>1955</u>
January	420.2	458.2 - 16.1 (a) <u>442.1</u>
February	421.2	458.0 - 17.0 (a) <u>441.0</u>
March	417.8	453.2 - 18.2 (a) <u>435.0</u>
April	413.7	461.6 - 20.8 (a) <u>440.8</u>
May	411.3	451.8 - 21.5 (a) <u>430.3</u>
June	411.7	455.8 - 24.7 (a) <u>431.1</u>
July	430.6	449.8 - 25.8 (a) <u>424.0</u>
August	401.0	439.7 - 28.0 (a) <u>411.7</u>
September	414.1	440.7 - 26.1 (a) <u>414.6</u>
October	431.6	453.3 - 27.6 (a) <u>425.7</u>
November	440.0	459.9 - 25.9 (a) <u>434.0</u>

(a) Principal credits from international clearing accounts
 (payments agreements) recorded in the National Bank.
 They are foreign debits against Egypt.

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CURRENCY CIRCULATION

Currency circulation outside banks in March, April and July, 1955 was slightly greater than in the same three months of 1954. During the other eight months of the period under review, net currency circulation outside of banks was generally less in 1955 than in 1954 chiefly because of the following: Purchases of foreign exchange both by the private sector and Government to pay for unusually heavy imports; and increased tax collections; and lower incomes due to slow movement of cotton.

Seasonal fluctuations of currency in circulation were directly related in 1955, as in previous years, to the financing of the yearly cotton crop. Currency held outside banks was lowest in August, the last month of the cotton crop year, and highest in the winter months when cotton financing needs were at a maximum. Throughout spring, cotton loans were repaid accompanied by a gradual decline in circulation.

There follows a comparison of net currency circulation for the first eleven months of 1955 and 1954:

NET CURRENCY CIRCULATION (b)
(In LE Million)

<u>END</u>	<u>1954</u>	<u>1955</u>	<u>DIFFERENCE</u>
January	185.9	184.3	- 1.6
February	185.3	184.8	- 0.5
March	180.4	182.8	+ 2.4
April	176.7	178.2	+ 1.5
May	176.7	176.5	- 0.2
June	175.2	174.3	- 0.9
July	172.5	173.1	+ 0.6
August	166.7	165.1	- 1.6
September	176.6	171.3	- 5.3
October	187.1	179.9	- 7.2
November	187.0	185.3	- 1.7

(b) Currency outside banks, but including subsidiary notes and coins in circulation.

DEPOSITS/...

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DEPOSITS

a) Government

Throughout the eleven months ending November 1955, Egyptian Government deposits were considerably higher than in the same period of the previous year owing to the following:

- (a) income from the sale to the public in December 1954 of LE 25 million Government securities for the financing of national economic development projects -
- (b) income from the sale of substantial amounts of treasury bills to the National Bank of Egypt for the financing of national economic development projects - a method of financing which involved monetary expansion (1)
- (c) increased revenue receipts as a result of more effective tax collections -

The LE 25 million Government securities issues were purchased by the National Bank, private banks, insurance companies, Government postal savings institutions and a few private companies. According to National Bank officials, the National Bank purchases and those of other banks amounted to about LE 10 million. Some LE 10 million were purchased by insurance and private companies. The remaining LE 5 million represented purchases by the Government postal savings institutions and individuals.

b) Private

In general private deposits during the period January-November 1955 exceeded those of the previous year for the same months. One reason for this increase was seepage of Government funds spent on economic and social development projects into the private sector of the economy, mostly in the construction industries. This spending, however, did not reach the lower income groups on a wide enough scale to become reflected in increased retail sales. Other important causes were deposits from bank loans obtained by merchants to carry slow selling cotton export surpluses on the one hand, and to maintain unusually heavy wholesale and retail inventories of imported consumer goods, on the other.

c) Sudan

Sudan Government deposits in Egypt during the eleven months ending November 1955 were considerably higher than in the same eleven months of 1954. This increase reflected essentially developments in the Sudan.

- (1) Treasury bills are also sold to raise proceeds for financing cotton and other agricultural crops. d)/...

d) Statistics

There are shown following deposit data for the period January-November 1955 compared to the same period in the previous year:

GOVERNMENT AND PRIVATE DEPOSITS
 (In LE Million)

END	GOE Deposits 1954	GOE Deposits 1955	PRIVATE Deposits 1954	PRIVATE Deposits 1955
January	20.7	44.3	209.4	221.7 - 16.1 (c) 205.6
February	25.3	44.2	206.4	220.6 - 17.0 (c) 203.6
March	26.3	41.6	205.6	220.3 - 18.2 (c) 202.1
April	25.8	51.4	206.3	221.8 - 20.8 (c) 201.0
May	22.7	44.2	207.2	221.3 - 21.5 (c) 199.8
June	19.7	44.9	211.1	224.6 - 24.7 (c) 199.9
July	9.4	31.2	216.0	233.5 - 25.8 (c) 207.7
August	8.1	23.2	219.2	238.7 - 28.0 (c) 210.7
September	9.2	18.7	220.1	238.7 - 26.1 (c) 212.6
October/...				

(c) Credit balances from international clearing accounts (Payments Agreements) recorded in the National Bank. They represent debits against Egypt.

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(cont)	GOE <u>Deposits</u> 1954	GOE <u>Deposits</u> 1955	PRIVATE <u>Deposits</u> 1954	PRIVATE <u>Deposits</u> 1955
END				
October	12.3	18.2	224.5	243.5 - 27.6 (c) <u>215.9</u>
November	13.0	11.6	232.2	251.8 - 25.9 (c) <u>225.9</u>

SOURCE: National Bank of Egypt

SUDAN GOVERNMENT DEPOSITS
 (In LE Million)

END	1954	1955
January	2.8	7.9
February	2.7	8.4
March	4.1	8.5
April	3.5	10.2
May	3.3	9.8
June	4.3	12.0
July	5.7	12.0
August	7.0	12.7
September	8.1	12.0
October	7.7	11.7
November	7.8	11.5

SOURCE: National Bank of Egypt.

FOREIGN ASSETS/...

(c) Credit balances from international clearing accounts (Payments Agreements) recorded in the National Bank. They represent debits against Egypt.

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FOREIGN ASSETS (1)

Foreign assets were greater in January and February 1955 than in the same two months of 1954. From March through November 1955 foreign assets were progressively less than for the same period in 1954. By the end of November 1955, foreign assets were at the lowest point in years. At the end of June 1955, the balance of payments deficit amounted to about LE 7.6 million.

What happened in part is that cotton exports were considerably less in 1955 than in 1954, and as this trade accounts for 85% of exchange derived from exports, foreign assets reflected the lower cotton sales abroad. Another important contributing factor was the unusually high rate of imports which exceeded substantially the 1955 level of importations. Still another consideration was the fact that although heavy cotton shipments went to Iron Curtain countries in 1955, mostly on Government-to-Government basis, foreign exchange was received only from sales to Red China.

FOREIGN ASSETS (d)

<u>END</u>	<u>1954</u>	<u>1955</u>
January	246.1	247.1
February	247.3	250.6
March	254.3	253.7
April	257.8	254.3
May	258.1	249.8
June	258.8	245.1
July	253.3	236.1
August	249.5	236.5
September	246.5	227.7
October	246.7	223.7
November	246.9	216.8

SOURCE: National Bank of Egypt.

LOANS AND DISCOUNTS/...

(1) Refers to market value of foreign exchange and gold holdings only.

(d) Total Egyptian foreign exchange and gold holdings at market value.

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LOANS AND DISCOUNTS

(a) Government

From late spring onward loans and discounts of the Egyptian Government (treasury bills) were substantially higher in 1955 than they were in the same period of 1954. Treasury bills issued by the Ministry of Finance are sold to the National Bank to raise money for the Government, and may be used by the National Bank for note cover.

Prior to the promulgation of Law No. 442 of May 6, 1955, treasury bill sales to the central bank could be used only for cover, if issued under Law No. 57 of 1951, or for cotton financing, if issued under Law No. 41 of 1945 or Law No. 128 of 1951. Although proceeds from treasury bills issued under Law No. 57 were entered into a blocked account in the National Bank and did not in theory affect the money supply, in practice currency was issued indirectly supported by these treasury bills. Law No. 442 removed limitations previously imposed on the use of proceeds from treasury bills and thus made them available for financing development projects as well as cotton.

Steps were taken by the Ministry of Finance late in April to withdraw treasury bills issued under Law No. 57, and as a transitory measure in order to maintain the level of note issue cover, new treasury bills were issued under Laws No. 41 and 128 and the proceeds were deposited in the Government account. In May new treasury bills were issued under Law No. 442 and those under Law No. 41 and No. 128 were gradually withdrawn.

There is shown following a month by month comparison of Egyptian Government loans and discounts for the period January-November 1955 and January-November 1954.

EGYPTIAN GOVERNMENT LOANS & DISCOUNTS (e) (In LE Millions)

END	1954	1955
January	39.9	31.6
February	34.3	32.6
March	30.8	32.9
April	28.6	47.5
May	28.1	50.1
June	27.6	51.7
July	29.1	54.2
August	30.1	65.5
September	22.5	62.6
October	29.2	64.4
November	28.9	67.8

SOURCE: National Bank of Egypt

(e) Mostly treasury bills held by the National Bank. Does not include Treasury bills held by other organizations nor Government securities (bank).

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(b) Private/...

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(b) Private

Generally speaking, total private loans and discounts in all banks(1) in the first eleven months of 1955 followed the usual pattern of preceding years, except that they were at a higher level than in the same period of 1954.

The data available for private loans and discounts during the current year show separately debit balances (in favor of Egypt) arising from Egypt's principal international payments agreements. These balances are shown in the National Bank statistics as part of private loans and discounts. However, the data available for 1954, while also including the debit balances, do not show them separately.

PRIVATE LOANS/...

(1) Including the National Bank as this institution makes loans to commercial and industrial organizations outside the banking system.

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PRIVATE LOANS AND DISCOUNTS
(In LE Million)

<u>END</u>	<u>1954</u>	<u>1955</u>
January	124.7	161.7 - 4.5 (f) <u>157.2</u>
February	129.6	156.0 - 9.7 (f) <u>146.3</u>
March	121.2	148.9 - 9.8 (f) <u>139.1</u>
April	115.8	141.6 - 9.5 (f) <u>132.1</u>
May	114.4	138.3 - 9.3 (f) <u>129.0</u>
June	112.2	139.4 - 9.9 (f) <u>129.5</u>
July	111.1	136.6 - 9.2 (f) <u>127.4</u>
August	114.6	127.7 - 9.5 (f) <u>118.2</u>
September	130.5	142.2 - 8.3 (f) <u>133.9</u>
October	147.5	159.0 - 9.0 (f) <u>150.0</u>
November	157.1	170.3 - 8.9 (f) <u>161.4</u>

SOURCE: National Bank of Egypt.

(f) Debit balances of international clearing accounts (payments agreements) recorded in the National Bank. They represent foreign credits in Egypt's favor.

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INVESTMENTS AND PARTICIPATIONS

This item refers to Government securities held by banks, to real estate owned by banks, and to holdings of banks in non-banking enterprises exceeding 25% of total capital. In practice, most of the data included under "Investments and Participations" reflect portfolio items held by the Banque Misr for the 19 companies it controls. Owing chiefly to increased investments by both banks, "investments and participations" during the period January-November 1955 were above those in the same eleven months of 1954 as shown following (1):

<u>INVESTMENTS AND PARTICIPATIONS (g)</u>		
<u>(In LE Millions)</u>		
<u>END</u>	<u>1954</u>	<u>1955</u>
January	35.8	46.4
February	35.8	46.4
March	35.6	46.4
April	36.1	46.3
May	36.0	45.9
June	35.9	45.8
July	35.9	51.1
August	36.0	37.1
September	36.8	37.1
October	36.7	37.1
November	36.7	37.3

SOURCE: National Bank of Egypt.

RESIDUAL/...

(1) Industrial Bank holdings not included.

(g) Government securities held by banks and guaranteed by the National Bank; real estate owned by banks; holdings of banks in non-banking enterprises.

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RESIDUAL

Residual refers to the difference between the sum of money supply and the sum of foreign assets, Egyptian Government loans and discounts, private loans and discounts, and investments and participations. This item has no other function than to complete arithmetically the "total money supply - counterpart" equation. Following is a comparison of residuals during the first eleven months of 1954 and in the same period of 1955.

<u>END</u>	<u>RESIDUAL (h)</u> (In LE Million)	
	<u>1954</u>	<u>1955</u>
January	27.7	28.6
February	27.3	27.6
March	25.5	28.7
April	26.0	28.1
May	26.7	32.3
June	24.2	26.2
July	25.8	28.2
August	29.2	27.1
September	27.2	28.9
October	28.5	30.9
November	29.6	32.3

SOURCE: National Bank of Egypt

PRICES

(a) Cost of Living Index

The official cost of living index is composed mostly of items affecting lower middle income groups. It includes basic foodstuffs and some other items such as rent which are subject to official controls. Few imported products are considered in the compilation of this index. A review of the official index for the first eleven months of 1955 compared to that of the same period of 1954 revealed the following:

(a)/...

(h) Difference between total money supply and sum of Counterpart Items.

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Encl. No.
Desp. No.
From

- (a) the index for each of the first four months of 1955 was below that of the comparable periods in 1954
- (b) the May 1955 and May 1954 indices were identical
- (c) the index for June 1955 was slightly below that of June 1954
- (d) the index for each of the five months, July - November 1955 was above that of the comparable period in 1954.

(b) Wholesale Price Index

The official wholesale price index includes a wide range of imported products. A comparison of this index during the period January-November 1955 with that of the same months in 1954 showed the following:

- (a) wholesale prices in the first four months of 1955 were below those in the same period of 1954
- (b) May-November 1955 wholesale prices were above those for the same months of 1954.

(c) Comment

With the possible exception of building materials, the wholesale price rises in late spring, summer and fall were not related to Government spending, and had no connection with the expanded money supply.

The increase in wholesale prices, during May and June 1955 over those prevailing in the same two months of 1954, was related to the rise in the premium on the official rate of foreign exchange paid by merchants for foreign currency with which to pay for imports under the "entitlement account" system abolished in September 1955. The softening of the Egyptian pound was caused by rumors of inflation as a consequence of the promulgation of Laws 242 and 243 of May 6, 1955, under which short term treasury bills and long term treasury bonds could be sold for the purpose of financing economic development projects. By the end of June, Cairo business and financial circles felt that the Government was not going to set off immediately an inflationary spiral by abuse of the authority granted under Laws 242 and 243, and the premiums on foreign exchange purchases declined to relatively normal levels.

The wholesale price increase, which took place in the remaining months of 1955, compared to the same months in 1954, was merely the result of anticipated possible shortage by importers of foreign goods, owing to the policy initiated early in July by the Government of restricting imports. Despite the fact that sales have lagged

behind/...

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behind normal inventory levels, prices have remained higher than those in 1954 because importers feel that the Government will continue a tight import control policy, and that sooner or later shortages of consumer goods will occur.

There are shown following cost of living indices for January-November 1954 and 1955, and wholesale price indices for the same periods in 1954 and 1955:

EGYPT - COST OF LIVING INDEX

BASE: June-August 1939: 100

	<u>1954</u>	<u>1955</u>	<u>Plus or Minus</u>
January	291.5	286	-
February	286.6	285	-
March	288.1	284.1	-
April	286.1	281.6	-
May	281.1	281.1	equal
June	281.6	281.5	-
July	281.0	281.9	+
August	280.6	282.9	+
September	281.5	283.9	+
October	281.9	284.7	+
November	281.3	283.1	+

SOURCE: Ministry of Finance

EGYPT - WHOLESALE/...

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Desp. No. 797
From Cairo, 1/26/56

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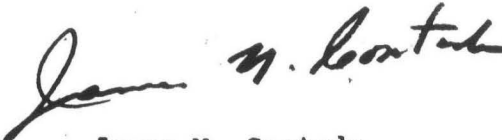
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Desp. No.
From

EGYPT - WHOLESALE PRICE INDEX

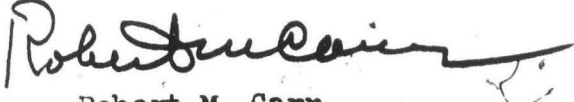
BASE: June-August 1939: 100

	<u>1954</u>	<u>1955</u>	<u>Plus or Minus</u>
January	353.1	346.6	-
February	355.0	347.6	-
March	354.4	348.9	-
April	348.1	345.4	-
May	341.0	342.6	+
June	338.8	345.7	+
July	341.0	354.6	+
August	341.0	355.5	+
September	339.0	361.6	+
October	342.9	364.7	+
November	340.4	350.1	+


SOURCE: Ministry of Finance


James N. Cortada
Second Secretary of Embassy

APPROVED:


Robert M. Carr
Counselor for Economic Affairs.

cc: Treasury Representative, Beirut


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FOREIGN SERVICE DESPATCH

FROM : CAIRO

933
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 5, 1956
DATE

REF : CERP 6/24/54, D-1, D-13; Embdesp. 797 of January 26, 1956

71 For Dept. Use Only	ACTION ✓	DEPT. I N F O	REC'D 3/12	OTHER R&P-2 Rm/R-2 OLI-6 E-5 ICA-20 Com-8 TR-3 FRB-2 XMB-3

SUBJECT: EGYPT - MONETARY SITUATION.

There are shown below statistics concerning the monetary situation in Egypt during December 1954 and 1955. These data supplement the statistical information included in the Embassy's despatch No. 797 of January 26, 1956, regarding Egyptian monetary developments. The Embassy's observations, as reflected in despatch No. 797, remain unchanged in the light of the statistics which have now become available.

TOTAL MONEY SUPPLY
(In L.E. Million)

<u>END</u>	<u>1954</u>	<u>1955</u>
December	442.8	457.7
		19.5 (a)
		438.2

NET CURRENCY CIRCULATION (b)

December	187.2	184.7
----------	-------	-------

GOVERNMENT AND PRIVATE DEPOSITS

	<u>Government Deposits 1954</u>	<u>Government Deposits 1955</u>	<u>Private Deposits 1954</u>	<u>Private Deposits 1955</u>
December	16.5	11.6	231.4	249.1
				19.5 (c)
				229.6

- (a) Principal credits from international clearing accounts (Payments Agreements). They represent foreign trade credits against Egypt.
- (b) Currency outside banks.
- (c) Principal credits from international clearing accounts (Payments Agreements). They represent foreign credits against Egypt.

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MAR 7 1956

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SUDAN GOVERNMENT DEPOSITS
(In L.E. Million)

<u>END</u>	<u>1954</u>	<u>1955</u>
December	7.7	12.3

FOREIGN ASSETS (d)

December	246.5	212.4
----------	-------	-------

EGYPTIAN GOVERNMENT LOANS AND DISCOUNTS (e)

December	27.2	71.0
----------	------	------

PRIVATE LOANS AND DISCOUNTS

December	156.2	167.1
		- 10.4 (f)
		<u>156.7</u>

INVESTMENTS AND PARTICIPATIONS (g)

December	39.9	38.0
----------	------	------

RESIDUAL (h)

December	27.0	30.8
----------	------	------

EGYPT - COST OF LIVING INDEX
BASE: June - August 1939:100

December	283.2	283.4
----------	-------	-------

-
- (d) Total Egyptian foreign exchange and gold holdings at market value.
- (e) Mostly Treasury Bills held by National Bank of Egypt.
- (f) Debit balances of international clearing accounts (Payments Agreements) recorded in the National Bank of Egypt. They are foreign credits in Egypt's favor.
- (g) Government securities held by banks and guaranteed by NBE; Real estate owned by banks; Bank holdings in non-banking enterprises.
- (h) Difference between total money supply and sum of counterpart items

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Desp. No. 933
From Cairo

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Encl. No. _____
Desp. No. _____
From _____

EGYPT - WHOLESALE PRICE INDEX
BASE: JUNE - AUGUST 1939: 100

END

December

1954

341.6

1955

351.2

With the exception of the cost of living and wholesale price indices which were obtained from the Ministry of Finance, the other data were supplied by the National Bank of Egypt.

James N. Cortada

James N. Cortada
Second Secretary of Embassy

Approved by:

Robert M. Carr

Robert M. Carr
Counselor for Economic Affairs

Cc.: USOME

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874.13/8-656
NR 974.7301
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FROM : AMCONSULATE, Port Said

11

DESP. NO.

August 6, 1956

DATE

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : ---

JS
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15 For Dept. Use Only	ACTION	DEPT.	S/P-1 8-1 FE-4 SCS-1 ARM/R-2 REP-2 011-6 EUR-5 E-5 ICA-10 L-2 S/S-2C-1 FRB-2 XMB-3 LAB-4 AG-8 CIA-6 OSD-4 ARMY-4 NAVY-3 AIR-3 COM-10 TR-3
	REC'D	OTHER	
	8/13		

SUBJECT: Some Economic and Commercial Developments Since Canal Nationalization

One of the very first commercial developments that occurred immediately after the announcement nationalizing the Suez Canal was the almost complete disappearance from the open market of all sterling, dollars and other "hard" currencies.

Wholesalers and retailers are reluctant to sell at the moment preferring goods to money the worth of which is beginning to be questioned. As a result, prices are rising rapidly for many durable items. Prices have risen slightly for such food products as meat and beans. Prices of perishable fruits and vegetables, milk and bread remain stationary.

Business in general is slowing down considerably as no one is making new commitments.

Anthony Cuomo
Anthony Cuomo
American Consul

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TRANSMITTAL SLIP		DATE November 29, 1956	
TO		For the Attention of	
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The Department of State			
TO THE FOREIGN SERVICE		TO THE DEPARTMENT	
<input type="checkbox"/> For Transmittal to Addressee at the Discretion of Post		<input type="checkbox"/> Dept. Information Only	
<input checked="" type="checkbox"/> Post Information Only		<input type="checkbox"/> CERP Publications	
<input type="checkbox"/> Transmit to Foreign Office		<input type="checkbox"/> Enclosure to Previous Despatch	
<input type="checkbox"/> Submit Report		<input type="checkbox"/> Reply to Dept. Request	
<input type="checkbox"/> Reply to the Individual			
<input type="checkbox"/> Transmit to:		(U.S. Agency)	
<input type="checkbox"/> Inform:			
REFERENCE			
ITEMS/REMARKS			
<p style="text-align: right;">874.13/11.1956 KK 11.7423</p> <p>Attached is a copy Cairo's telegram No. 1575.</p> <div style="border: 1px solid black; padding: 5px; width: 150px; float: left; margin-top: 20px;">DCR 50</div> <div style="border: 1px solid black; border-radius: 50%; padding: 20px; width: 250px; float: right; margin-top: 20px; text-align: center;">Pouched Nov. 30 1956 Cma</div> <div style="clear: both;"></div>			
IN REPLY REFER TO FILE NUMBER AND DRAFTING OFFICE		SIGNATURE	
FILE NO.			
CLASSIFICATION		OFFICE	
SECRET		Gen. Cairo's	

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☐ CHARGE TO

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FW 87413/11-1-1956

Drafted by:

Chs
Chs 11/29/56

Telegraphic transmission and
classification approved by:

G. E. [Signature]

Clerks:

W/S-OS DS-y
NOV 29 1956

INCOMING TELEGRAM

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Department of State

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CIA

DCL

FROM: Cairo

TO: Secretary of State

NO: 2479, February 2, 1 p.m.

SENT DEPARTMENT 2479, BEIRUT 271, BERN 8.

Latin American diplomats stationed Cairo sold dollar checks December black market rate 55 piastres one dollar, several weeks ago 65 piastres, now being offered 72 piastres. Embassy would appreciate information free market rate Egyptian pound New York, Beirut, Bern.

Control: 1200

Rec'd: February 2, 1957
5:15 p.m.

HART

AAL:DEM/10

100-44-1000-1000
Be Returned to
Mr. A. W. J. Palmer
100-44-1000-1000
1957
Feb. 2-1957

874.13/2-257

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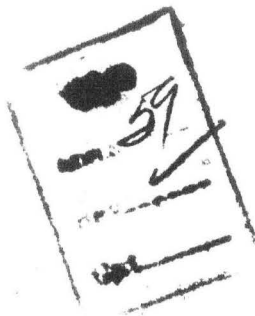
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NY rate Feb 6 for Egyptian currency reported one Egyptian pound equals
US \$2.10. Dept informed this banknote rate only rate quoted NY other than
official TT rate.

Dulles
(now) **DULLES**

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OPD:FN:MAULI:gal

2/7/57

Telegraphic transmission and
classification approved by:

M. L. Milne

Clearance:

NE - Mr. Bennis, in substance

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FEB 7 1957 P.M.

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FROM: Beirut

TO: Secretary of State

NEA
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OLI

NO: 1882, February 5, 3 p.m.

CIA

SENT CAIRO 229, REPEATED INFORMATION DEPARTMENT 1882.

DCL

Your 271.

Present free rate Egyptian pound here 650 Lebanese piastres to
100 Egyptian. One dollar 320 piastres Lebanese.

HEATH

DMB/16

374.13/2-537

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FOREIGN SERVICE DESPATCH

FROM American Embassy, Cairo

825

DESP. NO.

May 3, 1957

DATE

TO THE DEPARTMENT OF STATE, WASHINGTON.

REF: (5P) CERP 6/24/54, D-16; Embdesp. No. 798, 4/23/57

67 For Dept. Use Only	ACTION	DEPT
	REC'D	OTHER
	5/8	PMR-2, Rep 2, OLI-8, E-5, ICA-10, EAR-5 CIA-14, Com-10, TR-3, FRB-2, XMB-3.

SUBJECT: EGYPTIAN-SUDANESE CURRENCY AGREEMENT

There is enclosed a copy in English of the agreement signed June 8, 1957, between Egypt and the Sudan, concerning the withdrawal of Egyptian currency in the Sudan and its redemption by the Egyptian Government.

There is also enclosed an undated letter concerning the agreement addressed to the Egyptian Minister of Finance by the Sudanese Minister of Finance. A copy of the Egyptian Minister's reply to this letter is not available but the Embassy has been informed that the views expressed have been accepted by the Egyptian Government.

The Embassy obtained the texts in Arabic of both the agreement and the letter from an official in the Ministry of Finance and Economy and they were translated in the Embassy. Official texts of both documents have not yet been published in the Official Journal.

James M. Cortada
James M. Cortada
First Secretary of Embassy

Approved:

Robert M. Carr
Robert M. Carr
Counselor of Embassy for Economic Affairs

Copies to: Alexandria
Port Said
Khartoum

Department please send to London

JMCortada:jkf

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Page 1 of 3

Encl. No. 1

Desp. No. 825

From Cairo

CURRENCY AGREEMENT

between

the Government of the Republic of Egypt

and

the Government of the Republic of the Sudan

Desirous of confirming and strengthening the friendship and brotherhood bonds existing between their two peoples and of amicably settling common problems in a spirit of good understanding, the Government of the Republic of Egypt and the Government of the Republic of the Sudan have agreed upon the following articles:

Article 1

The Government of the Republic of the Sudan shall withdraw the Egyptian banknotes and metal coins in circulation in the Sudan in accordance with the conditions and in the manner agreed upon in the Protocol attached to the present agreement.

Article 2

The Government of the Republic of Egypt agrees to pay in British Treasury Bills to the extent of twenty million sterling pounds, to be deducted from the balance of account Number 2 at the Bank of England, the value of the following:

1. The commitments of the Head Office of the National Bank of Egypt at Cairo to its branches in the Sudan minus the ~~debt~~ due to the Government of the Republic of Egypt by the Government of the Republic of the Sudan.
2. a) The value of the Egyptian banknotes, b) the value of the Egyptian metal coins withdrawn from circulation in the Sudan and presented for exchange in accordance with the provisions of the Protocol attached to the present agreement.

The Government of the Republic of Egypt agrees to pay the net of the amount mentioned under a) as shown by its balance as of April 8, 1957. Each month there shall be paid the value of the Egyptian banknotes and metal coins presented for exchange during the previous month.

The British Treasury Bills shall be paid at their nominal price. The ratio of the amount of Treasury Bills of each maturity to be converted at any time to the total of Treasury Bills of various maturities held by the Egyptian Government, shall be the same (ratio) as the total amount of Treasury Bills converted to the total amount of Treasury Bills held.

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If the debt due by Egypt to the Government of the Sudan should exceed twenty million pounds sterling, a special account for such surplus amount shall be opened in Sudanese pounds at the National Bank of Egypt, Cairo, in the name of the Government of the Sudanese Republic. This account shall bear an annual interest at two per cent.

Article 4

The balance of the account provided in Article 3 hereinabove shall be utilized for the following purposes:

- a) Payment of Egyptian services and merchandise exported to the Sudan within the limit of two million Egyptian pounds with the proviso that this amount will be inclusive of a yearly quantity of 40 thousand tons of Egyptian sugar at prices to be agreed upon.
- b) Payment of such amounts of Egyptian capital invested in the Sudan as may be transferred to Egypt.
- c) Deduction of any surplus amounts from the account of Egypt resulting from Article 2 of the Payments Agreement and within the limits of said account.
- d) Any other purpose to be agreed upon by the two Governments.

Article 5

A joint committee made up of representatives of the two Governments shall be established which shall assume the supervision of the implementation of the present agreement. This committee shall be convened whenever either Contracting Party considers it necessary.

Article 6

The present agreement shall have effect as though it had come into force on April 8, 1957 pending the exchange of ratification documents between the two Governments.

For the Government of the Republic
of Egypt

For the Government of the Republic
of the Sudan

(s) Abdel Moneim el-Kaissoony

(s) Ibrahim Ahmed

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Page 3 of 3
Encl. No. 1
Desp. No. 825
From Cairo

PROTOCOL

concerning the withdrawal of the
Egyptian currency in circulation
in the Sudan

In implementation of the provisions of Article 1 of the Agreement under today's date between the Government of the Republic of Egypt and the Government of the Republic of the Sudan concerning the exchange of the Egyptian currency in circulation in the Sudan, the two Governments have agreed upon the following:

1. The Government of the Republic of the Sudan undertakes to do all in its power to withdraw the Egyptian banknotes and metal coins in circulation in the Sudan as rapidly as possible after the new Sudanese currency is issued.

2. The surrender to the Egyptian Government of the exchanged Egyptian banknotes of various denominations shall be effected within a period not to exceed three months subsequent to the date on which the Sudanese currency is put into circulation. (issued). However, Egyptian banknotes may be accepted after the expiration of the period for another three-month term provided that the inquiry to which the Sudanese Government will proceed convincingly establishes that such currency does not enter the Sudan subreptitiously. The branches of the National Bank of Egypt in the Sudan shall open special accounts for the purpose, named "currency withdrawal accounts" into which there shall be entered the amounts of such Egyptian banknotes as are remitted for exchange in the meaning of the present paragraph.

3. The Egyptian metal coins shall be delivered to the Ministry of Finance of the Egyptian Government at Cairo for exchange by the end of June 1958.

4. From the date on which the present agreement is signed up to the end of the time fixed for the withdrawal of the currency, the Government of the Republic of the Sudan undertakes to take such measures as will ensure that no smuggling of Egyptian paper currency will take place in the Sudan from other countries.

5. The present Protocol is considered as an integral part of the agreement and shall have the same force.

For the Government of the Republic
of Egypt

(s) Abdel Moneim el-Kaissoony

For the Government of the Republic
of the Sudan

(s) Ibrahim Ahmed

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(Classification)

Page 1 of 1
Encl. No. 2
Desp. No. 825
From Cairo

The Minister of Finance
of the Government of the
Egyptian Republic,

I have the honor to inform you that the Government of the Republic of the Sudan accepts payment in British Treasury Bills. If, however, the British Government should not agree to convert the net amount of the items specified in Article 2 of the Agreement, and within the limit of twenty million pounds, then the Egyptian Government undertakes to let the National Bank of Egypt transfer the property of the British Treasury Bills as shown in its registers, from the balance of Account No. 2 to the Government of the Sudanese Republic for the value of the difference between the amount which the British Government accepts to convert in favor of the Sudan and the net of said balance. Said Treasury Bills shall be placed at the disposal of the Government of the Sudan as soon as they fall due.

However, the Government of the Republic of the Sudan may, at any time, transfer the property of said Treasury Bills to its own name and the National Bank of Egypt shall request from the Bank of England to have this transfer implemented.

If the transfer of the twenty million sterling pounds should not be completed, the amount remaining therefrom shall be added to the special account opened in accordance with Article 3 of the agreement.

The Egyptian Government undertakes to transfer to the Sudan an amount not to exceed five million sterling pounds out of the outstanding balance of said account to be taken from the last installment of sterling pounds to be released by the British Government pursuant to the 1955 Agreement concerning the Release of Sterling Pounds.

However, if five years after the agreement is signed there is an outstanding balance in the special account, the Egyptian Government undertakes to pay a million pounds yearly in foreign currencies acceptable by the Government of the Republic of the Sudan and to pay in Egyptian services and goods exported to the Sudan a total amount of not less than two million pounds inclusive of forty thousand tons of Egyptian sugar in accordance with the provisions and in the manner provided in Article 4-a.

Your Excellency's acceptance of the foregoing in your reply to the present letter I shall have the honor to consider as an agreement between our two Governments.

The Minister of Finance of the Government of the Sudanese Republic

(s) Ibrahim Ahmed

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FR/9/11/58
Department of State

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FROM: Beirut

TO: Secretary of State

by NO: 2349, January 11, Midnight

SENT DEPARTMENT 2349, REPEATED INFORMATION CAIRO 333

Parker Bank of America reports National Bank of Egypt negotiating with them for sale Beirut approximately 5 million pounds sterling worth of official gold reserve.

Parker scheduled arrive Cairo Sunday January 12 considered possible arrangements with Central Banking officials,

Opinion Parker is exchange to be used various early 1958 commitments that Egyptians had expected meet from financial arrangements with UK which has not materialized.

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DHP:DT

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FROM: CAIRO

TO: Secretary of State

NO: 1732, JANUARY 14, NOON

Control: 7433

Rec'd:

7433

JANUARY 14, 1958

1:24 PM

SENT DEPARTMENT 1732, REPEATED INFORMATION BEIRUT 268.

SENIOR OFFICIAL NATIONAL BANK EGYPT INFORMED EMBASSY OFFICE TODAY THAT EGYPT'S NET AVAILABLE FOREIGN-EXCHANGE HOLDINGS ARE CURRENTLY ONLY LE TWO MILLION AND THAT AFTER PAYMENT JANUARY 15 OF 28 MILLION DEUTSCHEMARKS TO WEST GERMANY (18 MILLION ON CLEARING ACCOUNT DEFICIT AND 10 MILLION INSTALLMENT ON FERTILIZER PLANT BEING BUILT BY WEST GERMANS) ONLY NEGLIGIBLE AMOUNT FOREIGN CURRENCY WILL BE LEFT. HE SAID EGYPT NOW RELYING HEAVILY ON ABOUT LE 100 THOUSAND WORTH OF FOREIGN CURRENCIES OBTAINED DAILY FROM CANAL.

NOTWITHSTANDING EMBASSY OFFICERS PROBING, NBE OFFICIAL EVADED CONFIRMATION POSSIBLE SALE LE FIVE MILLION GOLD (BEIRUT'S TELEGRAM SENT DEPARTMENT 2349).

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FOREIGN SERVICE DESPATCH

FROM : American Embassy CAIRO

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CERP Section D, Items I-B-3, V-A-2

690.

DESP. NO.

January 14, 1958

DATE

35 For Dept. Use Only	ACTION NEA-4	DEPT. RMIR-2 IRC-8 E-4 REP-2 ICA-10
	REC'D 1-21	OTHER Com-8 TR-3 FRB-2 YMB-4 CIA-13 ARMY-4 TAR-2 NAVY-2 AIR-1

SUBJECT: EGYPTIAN CURRENCY IN SUDAN

Dr. Nicola Koestner, Research Director of the National Bank of Egypt, told an Embassy officer January 14th that approximately LE 23 million had been repatriated from the Sudan since the effective date of the Egyptian-Sudanese currency agreement (April 8, 1957), with about LE 7-8 million yet to be repatriated.

James N. Cortada

James N. Cortada
Commercial Attache

cc: Khartoum
Alexandria
Port Said

BRANCH

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15 MAR 1958

JAN 28 1958

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Control: 10616
Rec'd: January 18, 1958
3:33 p.m.

FROM: Cairo

TO: Secretary of State

NO: 1776, January 18, 3 p.m.

EMBTEL 1732.

National Bank Egypt official confirmed to Embassy officer
payment of 28 million deutsche marks to West Germany made
January 15.

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1/20/58

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Control: 15293

Rec'd: January 25

1:25 P.M.

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FEB 21 1958

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FROM: Cairo

TO: Secretary of State

NO: 1842, January 25, 3 p.m.

SENT DEPARTMENT 1842, REPEATED INFORMATION ROME 52, LONDON 162, BEIRUT 294.

Parker, Middle East representative Bank of Wmbca*, informed Embassy January 25 that Soviet state bank had offered National Bank Egypt loan in dollars or any European currency at current bankers interest rates terms six months to one year. Size of loan equal to value gold in banking department of NBE which is about LE five million. Parker said his bank had been on verge selling this gold behalf Egypt in Europe when Soviets approached Egyptians and made offer. NBE undecided course action take.

Embassy inclined believe Egyptians may be awaiting outcome final financial talks with British in Rome January 30. If no agreement reached, judging by present mood Egyptians, latter may well arrive conclusion no settlement possible with British in which case Soviet offer may be accepted. Agreement on other hand would make available immediately released sterling eliminating necessity accept additional Soviet help.

Parker requested British not (repeat not) be informed regarding Soviet loan offer.

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Control: 16792
Rec'd: January 28, 1958
1:59 p.m.

FROM: Beirut
TO: Secretary of State
NO: 2548, January 28, 3 p.m.

Parker called today to report developments, re Cairo telegram sent Department 1842, after his visit Embassy Cairo. Emory of National Bank asked if Bank of America would make required foreign exchange loan with guarantee of Central Reserve Bank of India to whom MBE would pledge or earmark the gold in its banking department. According to Parker, Emory wishes avoid acceptance Soviet State Bank offer but feels government will approve it if he presents no alternative. Parker states he has referred proposal to his head office recommending approval. He added that, anticipating head office concern for political implications, he asked that they consult Department of State.

MCCLINTOCK

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Embtels 1827 and 1842

Your assessment requested regarding:

(1) Amount and breakdown unblocked exchange holdings Egyptian Government in ~~EMBT~~ convertible currencies at present time and

(2) Egyptian foreign exchange outlook in balance of payment terms for first half calendar 1958 assuming no further releases blocked assets in UK and US.

Any additional obtainable information on gold holdings and prospects for sale gold, including effect thereof on currency cover, would also be useful.

Priority 2.

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874-13/1-2858

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FROM: Cairo

TO: Secretary of State

NO: 1897, January 30, 4 p.m.

Re DEPTTEL 2029

Senior national bank Egypt official, though extremely reluctant discuss current exchange position, informed Embassy officer in reply to direct question that Egyptian unlocked convertible currencies at present time total about LE 12 to LE 13 million. Embassy Office unable learn reason this improvement from low position of January 15 (EMBTTEL 1732). Hazarded guess would be that foreign receipts from late fall and early winter cotton exports plus freeze in foreign cash payments responsible this improvement, and not gold sale or acceptance short term Soviet loan.

NBE estimate foreign exchange outlook made for first half calendar 1958 in early fall 1957, assuming no further release blocked assets UK and US, was as follows: Total anticipated foreign exchange receipts LE 55 million of which Suez Canal accounts for LE 20 million, exports LE 27 million, and miscellaneous items such as income from tourism, insurance and shipping LE 8 million; total anticipated foreign payments LE 55 million of which LE 47.5 million for imports and LE 7.5 million miscellaneous expenditures.

However, NBF currently regards above estimate of income from exports as too high in light present poor prospects for cotton sales against foreign currencies. This figure therefore should be revised downward to not more than LE 10 million. Estimates for Suez Canal and miscellaneous items still hold. Thus, revised estimate of receipts would be LE 38 million against expenditures of LE 55 million resulting in deficit LE 17 million. This would have to be met from new foreign borrowings, presumably from Soviets, from gold sales, or utilization surpluses Soviet bloc clearing accounts to secure imports from free-world areas by payment of substantial premiums.

Director

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-2- 1897, January 30, 4 p.m., from Cairo

Director exchange control informed Embassy officer January 29 no plans being currently considered for sale of gold. Of gold holdings LE 5 million in NBE banking department and LE 60.5 million in issue department serving as cover. Sale of LE 5 million gold in banking department would have no theoretical or practical effect on currency. Effect of sale of gold cover would be mostly psychological as central bank law permits replacement by treasure bills, foreign and domestic securities, or company securities guaranteed by the Egyptian Government.

In terms cultural mores, gold is looked upon by average Egyptian as asset to be spent only during grave emergency. Disposal gold cover would be interpreted by public as sign grave economic situation. GOE probably would go almost any extreme to avoid spending gold cover.

Embassy believes revised estimate of LE 17 million deficit reasonable in light current circumstances. Forecasting cotton sales difficult our current pessimism appears justified. Egypt may try improve picture by further shifting necessary imports to clearing account areas but evidence strong that LE 47.5 million is about minimum needed for imports from free currency sources in economy is to be maintained at present level.

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FEBRUARY 13 1958

6:43 PM

FROM: CAIRO

TO: Secretary of State

NO: 2061, FEBRUARY 13, 3 PM

DEPARTMENT OF STATE

2-14-58

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REFERENCE: EMBTEL 2059 FEBRUARY 12.

LIAISON OFFICE

ESTABLISHMENT OF EXPORT POUNDS RECONSTITUTES SYSTEM EXISTING FROM 1949-54, BUT WITH MUCH WIDER APPLICATION, AND PROVIDING IN EFFECT A PARTIAL DEVALUATION OF EGYPTIAN POUND. ACCORDING TO NATIONAL BANK OFFICIAL, POUND WILL BE ALLOWED TO REACH LEVEL SET BY "SUPPLY AND DEMAND". IN ORDER TO START SYSTEM GOING, POUNDS WILL BE SOLD AT 25 PERCENT DISCOUNT TO EXPORTERS QUALIFYING UNDER NEW REGULATION.

ADVANTAGE OF NEW SYSTEM AS AGAINST PREVIOUS MARKETING PRACTICE THAT IT PROVIDES AUTOMATIC ADJUSTMENT OF ALEXANDRIA COTTON PRICES TO WORLD MARKET LEVELS THROUGH FREE PLAY OF EXCHANGE RATES WHICH NOT EASILY SUBJECT TO DISRUPTION OF SOVIET BUYING TACTICS. THIS SHOULD HELP REESTABLISH WORLD CONFIDENCE IN EGYPTIAN COTTON MARKET.

IF NEW SYSTEM SUCCEEDS IN MAKING EGYPTIAN EXPORTS, PARTICULARLY COTTON, COMPETITIVE IN WORLD MARKETS, IT WILL REDUCE RATIO OF EXPORTS TO SOVIET BLOC TO AMOUNT REQUIRED TO COVER NEEDED IMPORTS AND OTHER OBLIGATIONS TO BLOC, THUS DECREASING IF NOT ELIMINATING SPREAD BETWEEN FOREIGN EXCHANGE EARNINGS AND MINIMUM IMPORT NEEDS FROM NON-COMMUNIST AREAS. THUS FOREIGN EXCHANGE DEFICIT INDICATED IN EMBTEL 1897 JANUARY 30 WILL BE SUBSTANTIALLY REDUCED OR ENTIRELY ELIMINATED.

POLITICO-ECONOMIC IMPLICATIONS ARE TENTATIVELY ASSESSED AS FOLLOWS: (1) THIS MOVE PART OF APPARENT CURRENT EFFORT TO ESTABLISH BETTER ECONOMIC RELATIONS WITH WEST AND PREVENT GIVING USSR COMPLETE CONTROL EGYPTIAN ECONOMY. (FOR BACKGROUND SEE EMBDES 768 FEB 6 WHICH ANALYZED MOVES GOE SHOULD PROBABLY

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-2- 2061, FEBRUARY 13, 3 PM, FROM CAIRO

TAKE TO MEET FOREIGN EXCHANGE SITUATION) (2) IF SUCCESSFUL IN ALLEVIATING DIFFICULTIES ARISING FROM PRESENT FOREIGN EXCHANGE STRINGENCY, NEW POLICY IS ALSO HEDGE AGAINST POSSIBILITY OF BRITISH STALLING TACTICS AT ROME FINANCIAL TALKS, SINCE IT REDUCES EGYPTIAN IMMEDIATE NEED TO DRAW ON BLOCKED STERLING BALANCES AND AGAINST CONTINUED BLOCKADE EGYPTIAN ASSETS IN UNITED STATES.

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